

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT	)	CASE NO.
FILING OF VALLEY GAS, INC.	)	2023-00385

ORDER

On November 24, 2023, Valley Gas, Inc. (Valley Gas) filed its quarterly Gas Cost Recovery (GCR) rate report with a proposed effective date of January 1, 2024. Based on a Commission determination made in Valley Gas's Alternative Rate Filing (ARF) in Case No. 2022-00315,<sup>1</sup> the Commission suspended the proposed GCR rate report pursuant to KRS 278.190(2). On October 26, 2023, the Commission opened Case No. 2023-00331, an investigation into Valley Gas for an alleged failure to comply with Commission Orders and KRS 278.160.<sup>2</sup> By a December 21, 2023 Order the Commission suspended the effective date of the proposed GCR rates in this proceeding for one day until January 2, 2024, to give the Commission time to investigate the proposed GCR rates, and to allow Valley Gas the option to begin charging the GCR rates, pending a final Order and subject to refund, provided it supplied written notice to the Commission of its intention to do so as required by KRS 278.190(2). On December 27, 2023, Valley Gas issued a letter stating that it would be placing the proposed tariff into effect, subject to refund, following the suspension date.

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<sup>1</sup> Case No. 2022-00315, *Electronic Application of Valley Gas, Inc. for an Alternative Rate Adjustment* (Ky. PSC Aug. 18, 2023), Order at 6.

<sup>2</sup> Case No. 2023-00331, *Electronic Investigation Into Valley Gas, Inc. For An Alleged Failure To Comply With Commission Orders And KRS 278.160* (Ky. PSC Oct. 26, 2023), Order.

In Case No. 2024-00175, on May 30, 2024, Valley Gas filed a quarterly GCR rate report for rates to be effective July 1, 2024, using the reporting period for the 12 months ended March 31, 2024.<sup>3</sup> On June 28, 2024, the Commission issued an Order which suspended the proposed GCR rate report pursuant to KRS 278.190(2), for one day until July 2, 2024, to continue the pending investigation in Case No. 2023-00331, and to allow Valley Gas the option to begin charging the GCR rates, pending a final Order and subject to refund, provided Valley Gas supplied written notice to the Commission of its intention to do so as required by KRS 278.190(2).<sup>4</sup> On July 15, 2024, Valley Gas issued a letter stating that it would be placing the proposed GCR rates into effect, subject to refund, following the suspension date.<sup>5</sup> At the time of issuance of this Order, Valley Gas has not filed with the Commission any additional quarterly GCR rate reports since Case No. 2024-00175.

In this case Valley Gas responded to two requests for information<sup>6</sup> and participated in an Informal Conference (IC) with Commission Staff, which was held virtually on September 19, 2024.<sup>7</sup> There are no intervenors in this proceeding. This matter now stands submitted to the Commission for a decision.

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<sup>3</sup> Case No. 2024-00175, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (filed May 30, 2024), GCR rate report (for rates effective July 1, 2024).

<sup>4</sup> Case No. 2024-00175, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC June 28, 2024), suspension Order at 2.

<sup>5</sup> Case No. 2024-00175, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (filed. July 15, 2024), Notice of Intent to Place Proposed Rates Into Effect.

<sup>6</sup> Valley Gas's Response to Commission Staff's First Request for Information (Staff's First Request) (filed. Jan. 24, 2024); and Valley Gas's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed. Nov. 16, 2024).

<sup>7</sup> IC Memo was filed into the case record on September 27, 2024.

## LEGAL STANDARD

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates, or the rates charged by an affiliated company, to the extent the amount is deemed to be unjust or unreasonable.<sup>8</sup>

The Commission has exclusive jurisdiction over the regulation of rates and service of utilities in Kentucky under KRS 278.040(2). Pursuant to KRS 278.030(1), a utility may demand, collect, and receive fair, just and reasonable rates and, pursuant to KRS 278.030(2), that the service rendered and conditions under which service is to be rendered by the utility must be adequate, efficient and reasonable. KRS 278.190 permits the Commission to investigate any schedule of new rates to determine its reasonableness. The Commission, acts and speaks only through its written orders and the representations of Commission Staff members are not binding upon the Commission.<sup>9</sup> Commission Staff's actions also do not substitute for an Order of this Commission.<sup>10</sup>

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<sup>8</sup> KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

<sup>9</sup> KRS 278.370; *Union Light, Heat & Power Co. v. Public Serv. Comm'n*, 271 S.W.2d 361, 365 (Ky. App. 1954).

<sup>10</sup> *Bee's Old Reliable Shows, Inc. v. Kentucky Power Co.*, 334 S.W.2d 765 (Ky. 1960).

## CURRENT MECHANISM

Valley Gas's current Purchased Gas Cost Adjustment Clause Tariff calculates the GCR<sup>11</sup> rate as: Expected Gas Cost (EGC); plus, a supplier Refund Adjustment (RA) component; plus, four quarters of Actual Adjustment (AA), equating to a total AA component. Some GCR tariffs for the smaller Kentucky Local Distribution Companies (LDCs), such as Valley Gas, do not have the Balancing Adjustment (BA) as a part of the calculation of the GCR rate. The BA compensates for any under- or over-collections that have occurred as a result of prior adjustments and is composed of four quarters of BA equating to a total BA component. For some LDCs the differences are minimal and have chosen to opt out of including the BA component in its GCR calculation.

The AA component of the GCR calculation is used to true up the expected cost of gas, as set by the EGC, against the actual cost of gas for the review period. The under- or over-collection of gas costs are divided by the 12-month historical sales to create a quarter component that is then placed into effect for a 12-month period. The GCR is intended to be a prospective determination of upcoming gas costs based on retrospective calculations and prospective market based or supplier-based rates.

Valley Gas's GCR tariff also establishes a 30-day notice filing period and sets forth the calendar quarters for which each GCR rate, comprised of its respective components, are to be in effect. While the tariff may not provide an explicit mathematical expression,

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<sup>11</sup> The term Gas Cost Recovery or "GCR" is interchangeable with Gas Cost Adjustment "GCA"; and Purchased Gas Adjustment "PGA". The term Actual Cost Adjustment "ACA" and Actual Adjustment "AA" are also interchangeable terms, and both refer to the true-up component of the GCR. For the sake of consistency, the Commission uses "GCR" in its final Orders unless otherwise stated. The Commission also universally reports the usage rate for natural gas using Mcf.

each component is designated with its own purpose related to the dollar-for dollar pass through of gas costs.<sup>12</sup>

### BACKGROUND

On October 28, 2014, the Commission approved a special contract between Valley Gas and its Industrial Customer, Mago Construction Company (Mago) and granted a deviation pursuant to 807 KAR 5:011, Section 15, from its Purchased Gas Cost Adjustment Clause Tariff.<sup>13</sup> This contract required Valley Gas to accept, on Mago's behalf, all daily natural gas delivered, up to 1,000 Mcf, by Valley Gas's sole supplier, Constellation Energy (Constellation).<sup>14</sup> It also permitted Mago to unilaterally revert to Valley Gas's General Service Rates.<sup>15</sup> Valley Gas stated that, if Mago buys any gas from Valley Gas, the rate will be at regular tariff rates.<sup>16</sup> Based on the terms of the special contract, the Commission granted Valley Gas's request for deviation from 807 KAR 5:011 to permit the exclusion of the cost of natural gas procured from Constellation solely for the benefit of Mago from its GCR filings for the life of the special contract or until as

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<sup>12</sup> The ECG is used to estimate the expected cost of gas during the upcoming quarter (e.g. Jan.—Mar. for an application filed in Dec.). The AA is used to true-up the difference between the expected and actual gas costs for the quarter preceding the filing of the GCR report, but the true-up of each quarter is spread across an entire year based on annual sales such that the total AA is made up of four quarterly AA components. The RA is used to true-up refunds received from suppliers in the quarter preceding the filing of the GCR report, but like the AA, the true-up of each quarter is spread across an entire year based on annual sales such that the total RA adjustment is made up of four quarterly RA adjustments.

<sup>13</sup> Case No. 2014-00368, *Valley Gas, Inc. Request for Approval of a Special Contract with Mago Construction Company and a Deviation from the Gas Cost Adjustment Clause* (Ky. PSC Oct. 28, 2014), Order.

<sup>14</sup> Case No. 2014-00368, Oct. 3, 2014 Special Contract, Article 3.1.

<sup>15</sup> Case No. 2014-00368, Oct. 3, 2014 Special Contract, Article 4.3.

<sup>16</sup> Case No. 2014-00368, Oct. 28, 2014 Order, Appendix.

otherwise ordered by the Commission.<sup>17</sup> Valley Gas began to provide gas service to Mago in April 2015.<sup>18</sup>

In 2017, the Commission suspended Valley Gas's GCR rate report in Case No. 2017-00439, issued two requests for information, and conducted a field review at Valley Gas's headquarters in Irvington, Kentucky.<sup>19</sup> Additionally, at the time, it was believed that Valley Gas's special contract industrial customer Mago was not charged the GCR rate; thus, its usage and gas costs had to be removed from Valley Gas's GCR rate calculation.<sup>20</sup> Following the field review, a new AA rate calculation sheet was used to better reflect Valley Gas's system and its assumed gas procurement practices with its Industrial customer, Mago.<sup>21</sup> Mago's gas supply costs and gas purchases were removed from the GCR rate calculation starting with the month of July 2017.<sup>22</sup>

In Case No. 2022-00315,<sup>23</sup> the Commission determined that Valley Gas had not been properly implementing the special contract between it and its industrial customer, Mago, as approved by the Commission in Case No. 2014-00368. However, up to this

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<sup>17</sup> Case No. 2014-00368, Oct. 28, 2014 Order at 5.

<sup>18</sup> Valley Gas's response to Staff's First Request, Item 1.

<sup>19</sup> Case No. 2017-00439, *Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC Mar. 9, 2018), Order.

<sup>20</sup> Case No. 2023-00331, *Electronic Investigation Into Valley Gas, Inc. for an Alleged Failure to Comply with Commission Orders and KRS 278.160* (filed. Nov. 15, 2023), Response to Commission's Order at 8–9.

<sup>21</sup> Case No. 2018-00089, *Purchased Gas Adjustment Filing of Valley Gas, Inc.* (filed Mar. 5, 2018), GCR rate report (for rates effective Apr. 1, 2018), Schedule IV the Actual Adjustment calculation sheet.

<sup>22</sup> Case No. 2018-00089, Mar. 5, 2018, GCR rate report (for rates effective Apr. 1, 2018), Schedule IV the Actual Adjustment calculation sheet. The particulars in the calculation show Mago being removed from the calculation beginning July 2017.

<sup>23</sup> Case No. 2022-00315, *Electronic Application of Valley Gas, Inc. for an Alternative Rate Adjustment* (Ky. PSC Aug. 18, 2023), Order at 6.

point, Mago had procured all its natural gas from Valley Gas instead of purchasing from a separate gas supplier.<sup>24</sup> During an IC between Valley Gas and Commission Staff in Case 2022-00315, it was determined that Valley Gas has charged Mago a GCR rate despite having its sales and purchases excluded from the calculation.<sup>25</sup>

The Commission opened Case No. 2023-00331, pursuant to KRS 278.160, KRS 278.250, KRS 278.260, KRS 278.270, and KRS 278.990, to investigate alleged violations of previous Commission Orders in Case Nos. 2020-00085 and 2014-00368, and the statutory requirements of KRS 278.160.<sup>26</sup> As part of the investigation in Case No. 2023-00331, Valley Gas stated that it believed that its submitted GCR reports were accurate based on guidance it received to calculate its GCR.<sup>27</sup> Valley Gas stated that any errors in calculation were unintentional and inadvertent and are not an effort to misrepresent or mislead the Commission.<sup>28</sup> In addition, Valley Gas stated that it was willing to fully cooperate to assess and correct any inaccuracies.

On November 4, 2024, the Commission issued its final Order in that proceeding. Valley Gas was not assessed any civil penalties related to the GCR mechanism and any inaccuracies, if present, were understood to be unintentional and not meant to mislead or misrepresent sales volumes or costs.<sup>29</sup> In that proceeding, the Commission determined

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<sup>24</sup> Valley Gas's response to Staff's First Request, Item 1.

<sup>25</sup> Case No. 2022-00315, *Electronic Application of Valley Gas, Inc. for an Alternative Rate Adjustment* (filed Apr. 17, 2023), Informal Conference Memo, paragraph 3.

<sup>26</sup> Case No. 2023-00331, *Electronic Investigation Into Valley Gas, Inc. for an Alleged Failure to Comply with Commission Orders and KRS 278.160* (Ky. PSC Oct. 26, 2023), Order.

<sup>27</sup> Case No. 2023-00331, Nov. 15, 2023 Response to Commission's Order at 8–9.

<sup>28</sup> Case No. 2023-00331, Nov. 15, 2023 Response to Commission's Order at 8–9.

<sup>29</sup> Case No. 2023-00331, Oct. 26, 2023 Order at 8–9.

that the correct calculation of the GCR rate will be determined in Valley Gas's GCR cases rather than through the investigation show cause proceeding.<sup>30</sup>

## DISCUSSION AND ANALYSIS

### Special Contract Between Valley Gas and Mago

Beginning April 2015, following the establishment of service, Valley Gas has continuously charged Mago the quarterly GCR rate as filed by Valley Gas and approved by the Commission.<sup>31</sup> Under the terms of the Case No. 2014-00368, Mago's gas cost and purchases were to be included in Valley Gas's GCR rate calculation. However, due to the misunderstanding that occurred in Case No. 2017-00439, Valley Gas began to remove the gas cost and sales of Mago from the calculation of its quarterly GCR rate reports around July 2017.<sup>32</sup> The Commission has since approved an amendment to the special contract between Valley Gas and Mago originally approved in Case No. 2014-00368.<sup>33</sup> The Amendment has no impact to the Commission's findings regarding Valley Gas's GCR rate report in this proceeding.

The GCR mechanism is an automatic recovery mechanism<sup>34</sup> that is intended to allow the LDC to pass through a Commission-approved gas cost to its customers using prospective and retrospective calculations based on verifiable inputs on a quarterly basis.

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<sup>30</sup> Case No. 2023-00331, Oct. 26, 2023 Order at 11–12.

<sup>31</sup> Valley Gas's Response to Staff's First Request, Item 1.

<sup>32</sup> Case No. 2018-00089, Mar. 5, 2018, GCR rate report (for rates effective Apr. 1, 2018), Schedule IV the Actual Adjustment calculation sheet. The particulars in the calculation show Mago being removed from the calculation beginning July 2017.

<sup>33</sup> Case No. 2023-00402, *Electronic Tariff Filing of Valley Gas, Inc. of an Amendment to a Special Contract with Mago Construction Company* (Ky. PSC June 27, 2024), Order.

<sup>34</sup> Similar to the Fuel Adjustment Clause.



The Commission takes into consideration each individual utility's unique market and system circumstances, while also noting the overall impact of changes to the mechanism and the Commission's ability to conduct sufficient evaluation of the filed reports for the review period allotted. For Valley Gas's GCR rate report to most accurately reflect its gas procurement expenses, the inputs should reflect the gas costs and sales of those customers paying into the mechanism. Pursuant to the terms of the special contract as approved by the Commission in Case No. 2014-00368, it is reasonable for the gas costs and sales of Mago to be included in the GCR calculation when Valley Gas procures natural gas on Mago's behalf and charges Mago the GCR rate.

The Commission finds that Valley Gas should include Mago in the calculation of its GCR when Mago purchases natural gas from Valley Gas and is charged the GCR rate. Likewise, Valley Gas should exclude Mago in the calculation of its GCR when Mago purchases natural gas from a source other than Valley Gas, and Mago also should not be charged the GCR rate in these instances. Furthermore, the Commission finds that that any under- or over-recovery of gas costs that would have been reconciled in this case due to Mago's exclusion in the GCR rate report calculation should be reconciled in the GCR rate report filed by Valley Gas for rates effective January 1, 2026.

### Annual Reports

To corroborate the gas purchase cost and volumes; and the gas sold volumes and revenues, the Commission utilized the Annual Report filings<sup>35</sup> provided by Valley Gas.<sup>36</sup>

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<sup>35</sup> The Annual Report filings are available on the Commission Website at [www.psc.ky.gov](http://www.psc.ky.gov) under Commission Records > Financial > Annual Reports.

<sup>36</sup> The Commission reviewed the Annual Report filings of Valley between the periods of 2019 through 2023.

During discovery, it was determined that the Annual Report of Valley Gas to the Public Service Commission for the Calendar Year Ended December 31, 2022 (2022 Annual Report) may have included a few incorrect values, either due to an inadvertent mathematical error<sup>37</sup> or an incorrect unit of measurement error.<sup>38</sup> The Commission finds that Valley Gas should review its prior filed annual reports at least to the year 2020 for any errors, and make any necessary corrections<sup>39</sup> using accurate financial information in accordance with the Federal Energy Regulatory Commission (FERC) uniform system of accounts (USoA) for utilities standards as required by KRS 278.220. The Commission further finds that Valley Gas should conduct a careful and thorough review to minimize any potential errors in its future Annual Reports. Failure to minimize errors in future filings may adversely affect the timely processing of Valley Gas's cases.

#### Storage Injection and Withdrawal

Valley Gas utilizes gas storage as a form of physical hedging to purchase natural gas in the summer when the natural gas market price is lower for use in the winter when the natural gas market price is higher partially due to the increase to demand. The storage is operated by Valley Gas's sole supplier, Constellation. Valley Gas is being served under the Texas Gas Transmission Storage Gas Transmission rate schedule,

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<sup>37</sup> Valley Gas's Response to Staff's Second Request, Item 17.

<sup>38</sup> Valley Gas's Response to Staff's Second Request, Item 19.

<sup>39</sup> Valley Gas must email [PSC.Reports@ky.gov](mailto:PSC.Reports@ky.gov) to request its annual report be placed back into edit in order to correct any past annual reports filed with the Commission.

which is a General Transportation/Storage service for small volume customers.<sup>40</sup> Thus, Valley Gas's storage volumes are handled by Constellation.<sup>41</sup>

Commission review of prior GCR rate reports have found that, when Constellation purchased additional gas for the purpose of injecting into storage, it would result in a high unit cost of gas rate. For the months of August and October 2021, Valley Gas reported a unit cost of gas of \$133.9385 per Mcf<sup>42</sup> and \$133.7705 per Mcf,<sup>43</sup> respectively. Valley Gas's invoices provided justification of the quarter AA rates based on the methodology at that time. Valley Gas calculated its proposed current quarter AA by finding the monthly Unit Cost of Gas based on the Total Cost of Volumes—excluding Mago—divided by Total GCA Sales from the usage through the city gate.

In 2022, it was discovered during an IC between Commission Staff and Valley Gas that the storage end balance summary report provided by Valley Gas was on a three month quarterly basis to match the quarterly timing of the GCR rate reports and the data summary sheet filed by Valley Gas was edited to reflect the storage end balance.<sup>44</sup> Valley Gas was requested to provide the monthly injection/withdrawal information for review. A determination was made that the AA calculation sheet component failed to account for the storage injection in the true-up mechanism calculation, which drove up the unit cost

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<sup>40</sup> Valley Gas's response to Staff's Second Request, Items 2 and 13.

<sup>41</sup> Valley Gas's response to Staff's Second Request, Item 4.

<sup>42</sup> See Case No. 2021-00435, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC Dec. 27, 2021), page 2, paragraph 4.

<sup>43</sup> See Case No. 2022-00055, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC Mar. 30, 2022), page 2, paragraph 4.

<sup>44</sup> Case No. 2022-00149, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC June 16, 2022), Information Conference Memo.

of gas when Constellation would inject the majority of Valley Gas's purchased gas for the period into storage for later use.<sup>45</sup> The Commission found that Valley Gas's AA methodology required modification to accurately reflect the actual cost of gas that is unique to Valley Gas's system and its gas procurement practices. The modified AA component sheet attempted to account for storage but erroneously continued to exclude Mago from the calculation.

Having reviewed the record and being sufficiently advised, the Commission finds that Valley Gas's AA component should be further modified to account for storage but should also include Mago's impact in the calculation as it has been historically charged the GCR rate and procured gas from Valley Gas. The AA sheet provided in Appendix A to this Order is based on the original AA calculation methodology<sup>46</sup> but instead accounts for injections and withdrawals of gas using the unit price of the gas at the point of purchase. The calculation follows a similar methodology used by other Kentucky LDCs.<sup>47</sup> The unit cost of the gas injected into storage is based on the unit cost of the gas when purchased, while the amount withdrawn is priced based on the year end banked storage depending on the monthly amounts injected and withdrawn. The dollar amount and Mcf amount used for the banked storage originated from Valley Gas's Annual Report which

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<sup>45</sup> Case No. 2022-00149, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC June 16, 2022), Order at 2–3.

<sup>46</sup> Blank GCR rate reports in pdf and word format are available on the Commission's Website at [www.psc.ky.gov](http://www.psc.ky.gov) under Utility Information > Utility Forms > Natural Gas > File Name: "Quarterly Report of Gas Cost Recovery Rate Calculation: Blank form in Word format, Blank form in PDF format"

<sup>47</sup> As an example, see Case No. 2025-00061, *Electronic Purchased Gas Adjustment Filing of Louisville Gas and Electric Company* (filed Mar. 28, 2025), LG&E May 2025 GSC Filing Exhibits, Exhibit A, at 1 of 2; and Exhibit B-1, at 5 and 6 of 7.

includes reporting of Unrecovered Purchased Gas Costs (191)<sup>48</sup>; Gas stored - Current (164.1)<sup>49</sup>; Gas Withdrawn From Storage-Debit (808.1)<sup>50</sup>; Gas Delivered to Storage-Credit (808.2)<sup>51</sup>; and Other Deliveries: (Specify).<sup>52</sup> The modified AA component also corrects for purchases made in Dth and sales made in Mcf.<sup>53</sup> The Commission finds that Valley Gas should replace its Schedule IV, Actual Adjustment calculation with the new AA calculation provided as an example in Appendix A to this Order.

#### Next GCR Rate Report Filing

Based on the discussion above, the Commission finds that Valley Gas should resume filing its quarterly GCR rate reports beginning with the GCR rate report effective January 1, 2026. Additionally, Valley Gas's GCR rate report should be updated to replace the quarterly AA calculation sheet with the calculation sheet in Appendix A to this Order. Furthermore, the Commission suggests that, should Mago procure natural gas from a supplier other than Valley Gas and continues to be billed as a transportation customer rather than a general service customer, Valley Gas should notify the Commission in the cover letter of its GCR rate report and request an IC to determine how best to remove

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<sup>48</sup> As an example, see Valley Gas's 2022 Annual Report, page 11 of 42.

<sup>49</sup> As an example, see Valley Gas's 2022 Annual Report, page 11 of 42.

<sup>50</sup> As an example, see Valley Gas's 2022 Annual Report, page 28 of 42.

<sup>51</sup> As an example, see Valley Gas's 2022 Annual Report, page 28 of 42.

<sup>52</sup> As an example, see Valley Gas's 2022 Annual Report, page 37 of 42.

<sup>53</sup> Valley Gas's response to Staff's Second Request, Items 13 and 15. Valley Gas purchases its natural gas in Dth, or dekatherms, which is a unit of energy content for natural gas, but sells its natural gas to ratepayers using Mcf, or one thousand cubic feet (1,000 CF) of natural gas, which is a unit of volume for natural gas. In order for the reports to be accurate the units of measurement must be converted to match. Valley Gas uses a 1.03 factor to convert Dth into Mcf. (1 Dth = 1.03 Mcf).

Mago from the calculation of the GCR during the period in which Mago is not charged the GCR.

In order to ensure the calculation mechanism is capturing the expenses related to gas procurement, Valley Gas should thoroughly maintain its records in such a manner as to allow Valley Gas, and the Commission, to determine the amounts of gas costs recovered through Valley Gas's GCR rate mechanism. Furthermore, the Commission reserves its right to initiate an investigation to determine whether Valley Gas's GCR mechanism is accurately collecting the system's gas procurement related costs.

For the purpose of transparency and to maintain a record of information for future use, the Commission finds that Valley Gas should submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports. Valley Gas's future GCR reports should also include the additional information previously provided as a supplemental filing on June 13, 2018, in Case No. 2018-00177<sup>54</sup> as it pertains to the calculation of the future GCR rate along with the monthly storage injection and withdrawal information from Constellation. Additionally, Valley Gas should provide the Commission the monthly storage injection and withdrawal data from Constellation as supplemental information when it files its quarterly GCR rate reports. Should Valley Gas purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount should be documented in its cover letter to the Commission.

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<sup>54</sup> Case No. 2018-00177, *Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC June 19, 2018).

Due to the uncertainty of what has been charged to the customers of Valley Gas, the Commission has determined that further information is necessary following the Commission's suspensions of Case Nos. 2023-00385 and 2025-00175, pertaining to Valley Gas's future GCR rate reports. Therefore, the Commission finds that Valley Gas should file responses to the request for information attached herein as Appendix B of this Order, when it files its next GCR report for rates effective for January 1, 2025, to assist in the timely processing of the case. The Commission further finds that this case and Case No. 2024-00175 should be closed, and that any under- or over-recoveries of gas costs that would have been reconciled in this case, should be reconciled in the GCR rate report filed by Valley Gas for rates effective January 1, 2026.

Based on the evidence provided in the record, the Commission, on its own motion, hereby finds that following the issuance of this Order an IC should be scheduled to take place via video conference link between Valley Gas and Commission Staff. The purpose of the conference is to address Valley Gas's GCR rate report filings and to ensure there is a general understanding of the Commission's Order. Commission Staff will contact participants by electronic mail to provide details for joining the conference by telephone and video link.

IT IS THEREFORE ORDERED that:

1. Valley Gas shall file its next quarterly GCR rate report for rates effective January 1, 2026, with at least 30 days' notice prior to the beginning of each calendar quarter as established in its Purchased Gas Cost Adjustment Clause Tariff.

2. Valley Gas's next quarterly GCR rate report for rates effective January 1, 2026, shall be updated to replace the quarterly AA calculation sheet with the calculation sheet in Appendix A to this Order.

3. Valley Gas shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports.

4. Within 60 days of the date of service of this Order, Valley Gas shall file a corrected 2022 Annual Report to the Commission using accurate financial information in accordance with the FERC USoA standards as required by KRS 278.220, by emailing [PSC.Reports@ky.gov](mailto:PSC.Reports@ky.gov), to request for its 2022 annual report be placed back into edit, and the corrected versions be uploaded in its place.

5. An IC shall be scheduled following the issuance of this Order, to take place via video conference link.

6. Commission Staff shall contact participants by electronic mail to provide details for representatives of Valley Gas to join the conference by video link.

7. Valley Gas shall file its responses to the Request for Information included as Appendix B, when it files its next GCR report for rates effective for January 1, 2026.

8. Any under- or over-recoveries of gas costs that would have otherwise been reconciled in this case, shall be reconciled in the GCR rate report filed by Valley Gas for rates effective January 1, 2026.

9. Valley Gas shall maintain its records in such a manner as will allow Valley Gas, and the Commission, to determine the amounts of gas costs recovered through Valley Gas's GCR rate mechanism.



10. The Commission reserves its right to initiate an investigation to determine whether Valley Gas's GCR mechanism is accurately collecting the system's gas procurement related costs, should the Commission deem it necessary.

11. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2023-00385 DATED SEP 04 2025

ONE PAGE TO FOLLOW

Case for rates effective starting: Case Effective during period:				Jan-23 2023-00186 2022-00411	Feb-23	Mar-23
Purchase Cost	(a)	Input	\$	\$ 24,116.71	\$ 23,559.84	\$ 10,649.04
Usage Purchased	(b)	Input	dth	5,419.0	6,135.0	2,160.0
Usage Thru City Gate	(c)	Input	dth	5,578.2	4,258.9	4,209.0
Storage Injection/(Withdrawals)	(d)	(b-c)	dth	(159.2)	1,876.1	(2,049.0)
Unit Cost of Purchased Gas	(e)	(a/b)	\$/dth	\$ 4.4504	\$ 3.8402	\$ 4.9301
Prior month balance - Costs	(f)	(from prior month)	\$	\$ 30,544.97	\$ 30,172.39	\$ 37,376.91
Plus: Injections	(g)	if (d>0), then (d x e)	\$	\$ -	\$ 7,204.52	\$ -
Less: Withdrawal	(h)	if (d<0), then (d x (f / j) )	\$	\$ (372.58)	\$ -	\$ (5,184.88)
End month balance - Costs	(i)	(f + g + h)	\$	\$ 30,172.39	\$ 37,376.91	\$ 32,192.04
Prior month balance - Gas	(j)	(from prior month)	dth	13,054.00	\$ 12,894.77	\$ 14,770.85
Plus: Injections	(k)	if (d>0), then (d)	dth	0.00	1,876.08	0.00
Less: Withdrawal	(l)	if (d<0), then (d)	dth	(159.23)	0.00	(2,048.99)
End month balance - Gas	(m)	(f + g + h)	dth	12,894.77	\$ 14,770.85	\$ 12,721.86
Purchase Cost including storage	(n)	(a)	\$	\$ 24,116.71	\$ 23,559.84	\$ 10,649.04
Purchase Cost excluding storage	(o)	(p + g + h)	\$	\$ 23,744.13	\$ 30,764.36	\$ 5,464.16
Usage Purchased (for sale)	(p)	(c)	dth	5,578.23	4,258.92	4,208.99
Usage Purchased (for sale)	(q)	(n x 1.03)	Mcf	5,745.57	4,386.69	4,335.26
Actual Sales	(r)	Input	Mcf	5,186.00	4,631.00	4,683.00
5% Line Loss Limiter	(s)	formula		LIMIT APPLIED		
Allowable Total Sales (5% limit)	(t)	If (s) = LIMIT, then (s x 0.95)	Mcf	5,458.30	4,631.00	4,683.00
Unit Cost of Gas (Invoiced)	(u)	(a / c)	\$/Mcf	\$ 4.3234	\$ 5.5319	\$ 2.5301
Unit Cost of Gas (exclude storage)	(v)	(o / t)	\$/Mcf	\$ 4.3501	\$ 6.6431	\$ 1.1668
EGC in Effect for month	(w)	Input	\$/Mcf	\$ 4.8204	\$ 4.8204	\$ 4.8204
= Difference	(x)	(v - w)	\$/Mcf	(0.4703)	1.8227	(3.6536)
Actual Sales	(y)	Input	Mcf	5,186.0	4,631.0	4,683.0
Monthly cost difference	(z)	(x * y)	\$	\$ (2,438.98)	\$ 8,440.92	\$ (17,109.81)
Total cost difference (Month 1 + Month 2 + Month 3)				\$	\$ (11,107.86)	
Sales for 12 months ended				Mcf	28,315.00	
Current Quarter AA				\$/Mcf	-0.3923	

2022 End Storage bank			Dec 22
\$	30,544.97	\$	
	13,054.00	dth	
	<b>2.3399</b>	\$/dth	
	13,445.62	mcf	
\$	<b>2.2717</b>	\$/mcf	

dth to Mcf
1.03
1 dth = 1.03 mcf

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00385 DATED SEP 04 2025

#### COMMISSION STAFF'S CASE NO. 2023-00385 REQUEST FOR INFORMATION TO VALLEY GAS, INC.

Valley Gas, Inc. (Valley Gas), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due when it files its next GCR report for rates effective for January 1, 2026. The Commission directs Valley Gas to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>55</sup> regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

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<sup>55</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

Valley Gas shall make timely amendment to any prior response if Valley Gas obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Valley Gas fails or refuses to furnish all or part of the requested information, Valley Gas shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Valley Gas shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide all invoices received from gas suppliers for each month following the January 2023 period through the most recent reporting period.
2. State the monthly GCR rate that was charged to Valley Gas's customers following the January 2023 period to the most recent reporting period.
3. State the monthly GCR rate that was charged to Valley Gas's Mago customer following the January 2023 period to the most recent reporting period.
4. Provide the monthly storage injections and withdrawals for each month following the January 2023 period to the most recent reporting period.

5. Provide all gas sales reports for each month following the January 2023 period to the most recent reporting period.

6. Explain if Valley Gas has consistently used the conversion factor of 1.03 to convert Dth into Mcf. (1 Dth = 1.03 Mcf), or if the factor changes. If the factor changes then explain how often the factor changes, when the factor has changed, and why.

\*Cova Haynes  
Valley Gas, Inc.  
401 S First Street  
P. O. Box 366  
Irvington, KY 40146

\*Honorable W. Duncan Crosby III  
Attorney at Law  
Stoll Keenon Ogden, PLLC  
2000 PNC Plaza  
500 W Jefferson Street  
Louisville, KY 40202-2828

\*Gerald E Wuetcher  
Attorney at Law  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KY 40507-1801

\*Kerry R Kasey  
President  
Valley Gas, Inc.  
401 S First Street  
P. O. Box 366  
Irvington, KY 40146

\*Valley Gas, Inc.  
401 S First Street  
P. O. Box 366  
Irvington, KY 40146